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INFORMATION NOTE

From: General Secretariat of the Council
To: Delegations

Subject: Multiannual Financial Framework (MFF) 2021-2027 revision - delegations' comments on the Strategic Technologies for Europe Platform (STEP)

Delegations will find attached a compilation of the comments and questions to the Commission proposal on the Strategic Technologies for Europe Platform (STEP) communicated during the AHWP meeting on 10 July 2023 (deadline 17 July 2023).

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AUSTRIA

Questions could relate to several parts of the draft regulation even if mentioned only once.

Innovation Fund

According to the European Commission' own website https://climate.ec.europa.eu/eu-action/funding-climate-action/innovation-fund/what-innovation-fund_en

“The Innovation Fund’s total funding depends on the carbon price, and it may amount to about €40 billion from 2020 to 2030, calculated by using a carbon price of €75/tCO₂.”

Can the Commission confirm that at a current carbon price of around €85/tCO₂ (n.b. average carbon price in 1st semester of 2023: €86.80/tCO₂) the additional funds available to the Innovation Fund by the rise in carbon prices to €85 alone provide more than €5 bn euro in additional funding for the Innovation Fund?

Why has the Commission not proposed to “ earmark” these €5 bn in additional funds for the purpose of STEP instead of asking Member States to provide these funds via increased own resources contribution? How does the Commission intent to deal with such windfall gains in the future?

Horizon

Q: Why has the Commission not proposed to redeploy from other pillars taking account that the most sizeable decommitments occur outside pillar II?

Article 5 of the MFF regulation provides top-ups of 11 bn (in 2018 prices) to specific programmes, out of which Horizon. These top-ups are financed by “An amount equivalent to the revenue from fines”. However, instead of really being the equivalent of revenue from fines, they “shall be at least EUR 1 500 million (in 2018 prices) and shall not exceed EUR 2 000 million (in 2018 prices)”. In reality, however revenue from fines remained well below “at least 1 500 million” a year.

Q: Can the Commission please provide an overview of revenue from fines until now (cashd incl. DAB 3/2023)?

Q: Why has the Commission not proposed to revise downwards the top-ups of Article 5 given that revenue from fines is well below anticipation? This question is important as the Commission also proposes, in the context of STEP, to make available again the actual decommitments of research programmes (1.2 billion) and it would therefore only be consistent to reduce the Article 5 top-ups to the actual revenue of fines.

Q: Why does the Commission not communicate the 1.2 bn of proposed “article 15.3” decommitted funds as “fresh money” and that the overall amount requested from MS is 65.8 bn + 1.2 bn = 67 bn.? Why is this amount not included in fiche 3 Table 1: National contributions resulting from proposed MFF revision? Please update fiche 3 accordingly

Q: Why was the threshold for STEP-EIC set at 15 million and not set lower (e.g. at 7,5 million)? Why is there a limitation of “equity only”? Has the Commission checked if additional EIC reflows would be available?

On the use of Cohesion funds for the purpose of STEP

Q: Please provide an overview of MS’ allocation of all Cohesion Funds of the 2021-2027 period per MS and the use so far. According to the latest estimates (either January data or July data if already available), please give a per MS breakdown of the expected absorption of Cohesion funds. Please indicate, based on these estimates, the amount of expected decommitments as the first deadline of 2025 is fast approaching.

General question on InvestEU provisioning rates

Q: EFSI’s provisioning rate was reduced from initially 50 % to 35 %. Would it be feasible to reduce the InvestEU provisioning rate from 40 % to 35 % (which was the EFSI provisioning rate)? The 5 %-point reduction in itself would allow increasing the level of the InvestEU guarantee by EUR 3,7 bn (i.e. almost half of the 7,5 STEP guarantee) without the need for “fresh money”.

General questions on feeding InvestEU without using fresh money

- EFSI was estimated to be “overprovisioned” by EUR 1.17bn, out of which EUR 1bn was transferred to the public sector loan facility. Could the remaining EUR 170mn (or even more if the Commission could give an updated assessment of the EFSI overprovisioning?) be used to provision the STEP InvestEU window?

- Both InvestEU and the public sector loan facility benefit from reflows from “old” financial instruments. InvestEU gets EUR 1bn, the public sector loan facility EUR 275mn. However, the estimate in 2020 was that “the current estimate of repayments from those financial instruments during the period 2021-2032 is EUR 2.1 billion”-> the Commission should thus give an update if more than EUR 1bn in reflows of “old” financial instruments could be assigned to InvestEU instead of “fresh money”. Source of above data: <https://eur-lex.europa.eu/legal-content/en/ALL/?uri=CELEX:52020PC0453>
- Also, the InvestEU portfolio is being merged with the EFSI portfolio in order to allow for higher financing volumes. Could the Commission together with the EIB provide concrete numbers on the resulting increase of firepower?

Recital (7) regarding the increase in the InvestEU guarantee

*Of this, EUR 5 billion should be used to increase the endowment of the Innovation Fund^[1] and EUR 3 billion to increase the total amount of the EU guarantee available for the EU compartment under the InvestEU Regulation to **by** EUR 7,5 billion,^[2] taking into account the relevant provisioning rate.*

Q: we suppose that the guarantee of more than EUR 26bn should be increased **by** EUR 7,5bn through 40 % provisioning, i.e. EUR 3bn? “**To**” appears to be a typo, is that correct?

Recital (9) regarding the Sovereignty Seal

Q: could you please explain how the Sovereignty Seal should be taken into account in the Art 19 [EIB statute] procedure/ in the Art 23 [InvestEU Regulation] procedure?

Does the requirement on implementing partners to examine such projects imply the need to amend the Guarantee Agreements?

^[1] Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading (OJ L 275, 25.10.2003, p. 32).

^[2] Regulation (EU) 2021/523 establishing the InvestEU Programme (OJ L 107, 26.3.2021, p. 30).

Recital (16) regarding pre financing and increasing the EU co-financing rate

Q: both increased pre-financing and especially an EU financing rate of 100 % shift both risk and ownership to the EU budget. We would like to reiterate our concerns regarding incentives being set counterproductively.

Recital (20) regarding maximum investment amounts in the EIC

Q: we are not convinced that the EIC should provide larger tickets of up to EUR 50m on a regular basis.

Could you please provide information on the “existing market gap” as well as on existing instruments to address this gap?

Art. 3 para 1a on increasing the InvestEU guarantee/ Art. 16 para (2) on increasing the InvestEU guarantee

Q: we do not support endowing InvestEU with “fresh” money (of EUR 3bn); we do not fully understand the need to increase InvestEU and would like to ask for following up on the different proposals mentioned earlier. In any case, the consequences on the EIBG in the medium to longer term have to be made transparent (see comment re art 16 para 6).

Art. 16 para (1) a&b on adding a 5th specific objective resp. Art. 16 Par (4) on adding a 5th Policy Window to InvestEU:

Q: the value added of an additional window is not fully clear to us. Could you please elaborate whether potentially new objectives could be integrated into the existing windows?

Q: would a streamlining of any additional target with the COVID-related general objective in InvestEU Regulation Art. 3.1.g be feasible?

Art. 16 para (3) on a derogation to increase flexibility for blending und InvestEU

Q: could you please explain in more detail? Would the risk that the InvestEU guarantee covers increase? What is the motivation behind this proposal, what are the consequences?

Art. 16 para (5) on giving Member States more time to conclude a contribution agreement for their InvestEU Member State compartments

Q: could the Commission explain its motivation for extending the deadline from 9 to 12 months? Is this an amendment of InvestEU specifically related to STEP?

Art. 16 para (6) on the EIB Group's share of the InvestEU guarantee

Q: could you please explain why the EIBG's share of the guarantee should amount to "at least 75 %" instead of originally "75 %"? Are there problems with the implementation of the guarantee through other partners?

With both the proposal on STEP and the one on the UA Facility, the demands on the EIBG to deliver business volume would increase. Further, this very would imply that the EIB's aggregate financial contribution would increase by at least EUR 1,4bn. Having in mind the negotiations on the MFF itself, we would like to ask for assurance in writing that the proposals would not imply the need for a capital increase nor any other challenges for the EIBG in the medium-term.

Art. 16 para (8) on the addition of a non-permanent member to the InvestEU Investment Committee

Q: establishing another configuration of the IC seems to be quite demanding. Have you assessed alternatives?

Q: please explain the motivation to introduce a "non-permanent member"? Is this particularly related to STEP?

Art. 16 para (11) on covering activities consistent with STEP under InvestEU in hindsight

Q: please clarify what is meant by "as of 1 January 2023 until the signature of a guarantee agreement ...". "From 1 January until the signature ..." would be clearer – or is this not what is meant? In general, we should not mention any date for applying potential retroactivity at this point of time; please put it into brackets.

BELGIUM

BE wants to ask the Commission, the CLS for more clarification on what the following elements of the proposal entail, and what their impact will be on the programmes under the EU Budget, in particular Horizon Europe:

- **EUR 0.13 billion** from the reflows of the EIC pilot of Horizon 2020;
- **EUR 1.2 billion** resulting from total or partial non-implementation of research projects supported by Horizon Europe and its predecessors, are proposed to be made available again, in line with Article 15(3) of the Financial Regulation, to the benefit of the EIC strand of Horizon Europe; and
- **EUR 0.5 billion** budgetary reinforcement from the Multiannual Financial Framework Review.

CZECH REPUBLIC

General comments:

The Czech Republic was not convinced that the creation of another specialised instrument, i.e. the originally announced European Sovereignty Fund, was the best way forward, especially should it be financed by common EU debt. In general, the Czech Republic's priority is the full use of the potential of the current MFF. In this context, we welcome that the ambitions of the Commission have been reduced significantly in the final proposal.

The revision of the MFF must be realistic and take into account the economic reality in the Member States. The proposed top-ups need to be assessed in this perspective. Our general priority must be the full use of the potential of the current MFF. We are now studying the proposal and its impacts in this context, with special attention given to the financial ones. We are analysing the necessity of the proposed increased funding, where especially the ones related to the STEP seem too high to us.

Questions:

CZ welcomes the information and explanation the Commission has provided in its presentations, in fiches and during the different meetings. All these details and specifications are very useful we would nevertheless like to ask the Commission to provide all the answers (both the ones already provided as well as the new ones) in writing.

CZ would also like to reiterate some of the previous financial question and has some follow-up and additional questions, especially on the Cohesion part of STEP (i.e. art. 14 of Step Regulation).

Financial questions:

- Concerning the potential increases of individual instrument, we appreciate the break-down of the commitments, which the Commission presented at the AHWP meeting on July 10. Could the Commission provide also the estimated payment profile, i.e. the estimated impact on annual budgets at least until the end of this MFF?

Cohesion part of the STEP:

- What will be the schedule associated with the reprogramming of the ERDF programs that will be affected? Under the existing rules relating to the program amendment process, the scope for use of STEP in programs seems to be very limited. We consider it necessary to make the process of the program amendment more flexible, especially to radically cut the deadlines for approving the changes by EC.
- The introduction of separate STEP priority in the programmes will bring additional administrative burden for the Managing Authorities. Rather than a separate priority, would it not be better to address the extension of the programme/beneficiaries through an amendment of Article 5 of the ERDF and CF Regulation, which would widen the range of beneficiaries, leaving the STEP affiliation at the level of intervention codes only?
 - o We consider it more appropriate to include more intensive support for strategic sectors in the existing priorities/specific objectives, due to the lowering administrative burden associated with reprogramming and changing of program structure that the current EC proposal would require (e.g. significant impacts on structure of the program and its content or financial plan, more rigorous adjustment of indicators etc.).
- The proposal on page 5 (explanatory memorandum) states: *"Under those funds, the Commission also proposes a 30 % pre-financing in 2024 to incentivise uptake and **an increase the EU financing to 100 % for STEP projects.**"* On the other hand, the Article 3 of the ERDF and CF Regulation then states: *"By way of derogation from Article 112 of Regulation (EU) 2021/1060, the maximum co-financing rates for dedicated priorities established to support the STEP objectives shall be increased to 100 %."* Do we understand correctly that this is the co-financing rate indicated in the program financial plan (Table 3.6 Total financial appropriations by fund and national co-financing), not the support rate for individual beneficiaries/enterprises? The latter must be governed by the GBER, which, in principle, does not allow it.
- Does the EC expect any specific evaluation criteria for these high-quality projects – can the EC provide any examples?

- 1 % ceiling on EC payments:

- We would like to ask for more detailed explanation of the 1 % ceiling on EC payments. Article 14 (amendment to Article 135 of the CPR) states that this ceiling applies to interim payments made by the Commission in 2025. On the contrary, point 18 of the Preamble states that amounts exceeding the 1 % ceiling “would not be paid in 2025 nor in subsequent years”. Does it mean that the Commission would not pay any other amount even at closure? Would amounts exceeding the ceiling (and not used for clearance of pre-financing) be de-committed even though they were included in the final payment claim? We would kindly ask the Commission to provide us with model calculations on the application of the ceiling including the clearance of pre-financing (ideally with both scenarios - full spending and loss of funds).
- CZ would also appreciate it if the EC could provide clarification of the following text of the EC presentation on STEP (as presented at the meeting of the AHWP on MFF 2021-2027 revision on 10 July 2023): “For interim payments submitted after 31 October 2024 and before 31 July 2025, only 1 % of the total financial appropriations to the programme concerned by Fund can be reimbursed as interim payments by the Commission in 2025 or subsequent years.” CZ assumes that if an interim payment application is submitted before 31 October 2024, the 1 % ceiling does not apply, is CZ interpretation correct? However, it is not clear why this particular deadline has been chosen and why two specific regimes have been introduced (that is until 31 October 2024 and from 1 November 2024 to 31 July 2025). CZ is aware of the fact that EC has 60 days of the date on which a payment application is received to make interim payments, however, the interim payments can be made also earlier, i.e. still within the year 2024. Could the EC explain the rationale behind the above mentioned text of the EC presentation?

DENMARK

General comments

- Denmark has a scrutiny reservation on and reserves the right to come back with further comments.
- Will the Commission explain how many payments is expected to be frontloaded to 2024 due to the proposal on the sovereignty seal? Including expected impact to the payment level in 2024?
- Will the Commission present an overall overview of the use of decommitted Horizon Funds (15.3), including those already used or planned to be used.
- Will the Commission elaborate on how it arrived to a EU budget funding need of an additional EUR 10 billion?
- Will the Commission provide an overview of the EIB's risk profile during the current and previous MFF periods? Including on to what extent it is possible to target the EIB's investments to the strategic priorities covered by STEP?
- If the motivation for the proposal is EU competitiveness, would the proposal need to also refer to TFEU 173 as legal base?
- It is not clear to us that STEP includes elements that entails the coordination of responses between member states? What elements in the proposal does the Commission think amounts to such coordination?
- Is it correct that the Commission then expects a 1.25 x leverage factor for investments through the EDF; and 5x times through Horizon?

Article 1 Subject matter

- What is meant by “emerging” technologies, and is it sufficiently well-defined as a concept, particularly since “*emerging*” technologies are not mentioned in the objectives under article 2? Will the definitions of these terms correspond to the definitions in Horizon Europe?
- What does the Commission consider to be the difference between a technology that is “*critical*” and “*strategic*”?

Article 2 STEP objectives

- How would the Commission define “*deep technology*”, as the list in recital 4 does not seem to distinguish between deep and digital technology, as all are digital in nature? As part of the benchmark on whether project applications are within scope, it is important to substantiate that deep technology is relatively well-defined as a concept and, if possible, what distinguishes this category from emerging technologies within the digital.
- What is meant by “*safeguarding...value chains*”? Is this different from increasing resilience by diversification and strategic investments etc.? How is this different from “*strengthening*”?
- The fields mentioned in Article 2 are very broad, and recital 4 mentions that the Commission can issue guidance on specifying relevant technologies. How will this take place and how will MS be involved in defining the scope of the regulation?
- Could this happen through delegated acts or references to existing sector-specific regulation?
- Has there been an attempt to align the technologies listed under recital 4 for clean tech with the Net Zero Industry Act?
- Please explain how the selection criteria for IPCEIs (i.e. that a project is “*important*”) correspond to a project being “*critical*”.

- Are there examples of technologies that have significant economic potential but is not critical, and/or where private investors and market dynamics would have provided sufficient investments without any need for public intervention and support?
- Could the Commission provide examples of significant technologies that would have been excluded from the scope of STEP under this definition?
- On biotechnology, we see a potential for biotechnology and biomanufacturing, where the main problem is regulatory burdens, in particular long approval processes. Would it be possible to include “*decarbonisation*” due to biotechnology’s potential to decarbonize industrial processes?
- Has the Commission compared to the size biotech industry in European countries to US in other metrics than number of companies and the value of venture financing? Number of companies is not necessarily a good proxy of the importance of an industry. Venture financing is one way of financing but there are others (e.g. that do not involve taking an equity stake in the company).

Article 4 Sovereignty Seal and cumulative funding

- Article 4 says that a Sovereignty Seal can be awarded to “any action contributing to any of the Platform objectives”. Why has the Commission chosen this terminology - “*any action*” – instead of any “*project*”?
- How will minimum quality requirements to identify high quality projects be established? How will establishing minimum quality requirements identify help high quality projects? This seems illogical – “*high*” quality projects cannot be identified just by looking at certain “*minimum*” requirements but requires a thorough excellence assessment.
- The Sovereignty Seal would be awarded for actions that meet “*the minimum quality assessment*”, but at the same time, it also will be a “*quality label*”. Would a Sovereignty Seal only mean that the project has been shown to meet the minimal technical and formal requirements, such as eligibility requirements? “*high*” quality projects cannot be identified just by looking at certain “*minimum*” requirements but requires a thorough excellence assessment.

- Please explain how the five programmes covered by the Sovereignty Seal are considered to be sufficiently similar to allow for a positive assessment for one of them to automatically translate into a positive assessment for them all, considering differing scopes and objectives between them.
- Why is excellence not a requirement as in the current *Seal of Excellence*? What are the Commissions considerations in regards to watering down the *Seal of Excellence* with the introduction of *Sovereignty Seal*?
- Could the Commission present a fiche on the differences between the *Seal of Sovereignty* and the *Seal of Excellence*?
- Could the Commission clarify how many projects with a *Seal of Excellence* from Horizon Europe that have received funding under ESIF so far?

Article 6 Sovereignty portal

- Could the Commission please list all the specific tasks that the designated national competent authority would be required to carry out?
- Could the Commission please explain what is meant by the national competent authority being the “*main point of contact for the implementation of the Platform*” and what its responsibility would be? Can the authority be a coordinating body, a dedicated website, or even delegated to a non-public entity?

Article 8 Evaluation of the Platform

- Is it feasible to do a meaningful evaluation that soon after the the entry into force of the proposal? By end-2025 the regulation will likely have been in force for little more than two years.
- What does the Commission mean by this, “*potential upscaling*”?

Article 9 Amendments to Directive 2003/87/EC [ETS]

- DK find it important that funding from the Innovation Fund is directed towards high-impact high-quality projects. Earmarking funds from the Innovation Fund brings a high risk of making such projects ineligible and that some of the funding available will instead be awarded to less impactful projects. Rather projects under the Innovation Fund should be evaluated on the basis of their own merits and their contribution to reaching the EU's climate policy targets.
- Why is the Commission proposing to earmark half of the fresh money through the Innovation Fund under the objective of cohesion, when cohesion policy not a formal objective nor the purpose of the STEP? Especially considering, that STEP proposes very favorable flexibility for Cohesion Policy Funds to support green transition and clean technologies.

Article 10 – 12 Amendments to Regulation (EU) 2021/1058 [ERDF and CF],

Regulation (EU) 2021/1056 [JTF], Regulation (EU) 2021/1057 [ESF+]

- Why has the Commission proposed 30 % pre-financing? This is very high. Has there been any impact assessment or similar work to study the likely implications and justify the choice of such a high level of pre-financing? Why is it particularly important for the kinds of projects that fall under STEP?
- Could the Commission please substantiate its thinking how STEP would be more effective by allowing for 100 % co-financing, thus removing national ownership? The lack of national co-financing could mean a lack of commitment to ensure the projects that apply for funding are in fact high-impact high-quality projects. These factors seem to suggest the outcome would be conditions that are less.
- Could the Commission explain the need for extending eligibility und the CPR to large enterprises? Would there be any cap on the size of the potential recipient (i.e. the recipient) of funding to ensure that cohesion funds are targeted SME's?
- Most MS have started implementing their operational programs under Cohesion policy. How effective does the Commission expect the proposed changes will be in terms of using the additional flexibility to reprogram Cohesion policy funds towards STEP objectives?

Article 14 Amendments to Regulation (EU) No 1303/2013 [CPR] and Article 15 om Amendment to Regulation (EU) No 223/2014

- We are remain sceptical of the Commission’s proposal for additional flexibilities, especially considering the flexibility already adopted.
- Why has the cap been set at 1 % of the financial appropriations?
- Why is a cap on resources from REACT-EU, financed by the Recovery Instrument (NGEU), not been proposed?

Article 16 Amendments to Regulation (EU) 2021/523, establishing the InvestEU Programme

- To what extent has the Member State compartment in InvestEU been used?

Article 17 Amendments to Regulation (EU) 2021/695 [Horizon Europe]

- Why does the Commission propose new funding channeled to the EIC Accelerator specifically?
- How has the Commission estimated the need of EUR 2,63 bn. extra in funding to the EIC? Will the Commission provide background on the demand for extra funds.
- Will the STEP EIC Compartement only be available for EU MS or will associate countries have access as well?
- Will the Commission guarantee that the present difficulties in settling on a permanent implementation model for EIC Accelerator will be solved before any supplementary budget will be channelled into the instrument? Will the Commission provide information with regards to the expansion to cover mid-caps, which do not correspond the current EIC rules:
- Which definition of mid-caps will be applied by the Commission?
- How has the Commission estimated the need for supplementary support for mid-caps (which type of needs assessment has been performed)?
- Can the Commission specify the intended budgetary proportions for the two types of enterprises? This is particularly relevant for smaller MS with few or no mid-cap enterprises.

- Will the Commission clarify whether the set-up under STEP is only a simple channelling of funds to the EIC or will it require a new structure within the EIC (proposed EIC Fund compartment)?
- How has the Commission calculated the average multiplier of 5? The EIC board has in a input for ITRE report on EIC implementation from august 2022 estimated the multiplier of 2,7 Euro of additional equity for every Euro of EIC investment.

ESTONIA

1. When it comes to international projects involving foreign partners, how would those sovereignty seal projects be financed? Is it possible to partially finance (by each Member State) those projects?
2. If the sovereignty seal project is financed from two different EU instruments (i.e direct and shared management), how are the costs incurred and controlled? How is double funding avoided? Please provide practical examples.
3. In relation to the extension for submitting the final payment claim by 12 months i.e., 31. July 2025, do we have to submit all overbooked expenditure in the final accounting year 01.07.24 - 31.06.25 or can we still provide them in the accounting year 01.07.2023 - 30.06.2024?

FINLAND

- **Legal basis:** Article 164, Article 173, Article 175(3), Article 176, Article 177, Article 178, Article 182(1) and Article 192(1) of TFEU are proposed as the legal basis for the STEP. Considering the principle of single legal base based on the preponderant aim for any legally binding act, this raises questions. What is the legally relevant connection of the STEP-proposal with the closure of 2014-20 Cohesion policy programmes? What is the Council Legal Service's view and opinion of the proposed joint legal base in general?
- **STEP cohesion support (to large enterprises) without a programme amendment:** According to the COM proposal, the EU has several funds and programmes to provide support to deep and digital technologies, clean technologies, and biotechnologies and these instruments include in particular cohesion policy funds. Could a Member State support these sectors through existing OPs (PO's 1 & 2) without programme amendments if no increase in EU-cofinancing rate is sought? Would a Member State be able to support large enterprises within the limits of EU state aid rules through Just Transition Fund (JTF) without having to amend regional just transition plans? Is it necessary to amend an OP which does not refer to aid to large enterprises, if no other need for modification to approved OP exist?
- **State aid regime:** Does the Commission intend to introduce more changes to state aid regimes either in the STEP proposal or as amendments to other instruments? Does the Commission have evidence that such proposals will maintain the level playing field?
- **Scale-ups/STEP EIC component:** The proposed mechanisms on choosing companies for EIC scale up funding remain very unclear. How will the scale-up be defined and what criteria will be used, especially when the investments target other than previously EIC funded companies? We have strong reservations on new criteria, new geographical quotas or too narrowly defined technologies or value chains. Clarity from the Commission would be needed, on what the actual proposal for this mechanism would include?
- **Article 2:** Did the Commission consider defining the STEP themes on basis of their objectives rather than just the title definition, to allow for a more technology neutral approach?

- **Article 2:** How does the STEP proposal ensure that the original objectives of the various programmes are not endangered by the STEP flexibilities?
- **Article 4:** The funding decisions under European Innovation Council (and/or Innovation Fund) should always be based on open competition. No new criteria or indicative quotas for specific groups should be created, nor should technologies be defined too narrowly. Any proposed fast tracks like usage of Sovereignty Seal are critically scrutinized. Regarding the Sovereignty Seal, please provide concrete examples of the track to “*other union funds or programmes*” as presented in the Commission’s presentation on 5 July (WK9236/23 slide 36)? Could this track make it possible that the Sovereignty Seal issued, for instance, by the EDF ensures an approval of a project in the EIC?

FRANCE

- [**considérant 6**] La Commission peut-elle préciser le sens de l'équilibre géographique des projets financés par STEP ? cette notion s'appliquerait-elle à l'ensemble des instruments financés par STEP ?
- [**article 2 – objectifs et champ de STEP**] Quelle sera la procédure d'édition des lignes directrices (mentionnée au considérant 4) pour déterminer les technologies visées par les 3 domaines du paragraphe 1.a (*i.e.* les *clean tech*, les *biotech* et les technologies de rupture) ? Dans quelle mesure la liste des technologies recensées au considérant 4 est-elle indicative ?
- [**article 2 – objectifs et champ de STEP**] Quelle sera le rôle des Etats membres des projets stratégiques ?
- [**article 3 – « Top-up » budgétaire**] **La Commission pourrait-elle confirmer que les 5 Md€ supplémentaires seront financés directement par une contribution des États membres au Fonds d'innovation.**
- [**article 4 – « Sovereignty Seal »**] La Commission pourrait-elle fournir des exemples précis de cas relevant de l'art. 4(2.b), concernant le financement cumulé ou combiné de plusieurs instruments ainsi que de l'application des règles de financement correspondantes.
- [**article 6 – « Sovereignty portal »**] Quel sera le lien entre ce portail et les différents guichets uniques proposés dans les règlements NZIA et CRMA ?
- [**article 10 à 15 – amendements relatifs aux instruments de la politique de cohésion**] La Commission pourrait-elle préciser son estimation de 19 Md€ concernant les flexibilités utilisées de la politique de cohésion sur STEP ?
- [**article 16 – amendements sur le Règlement InvestEU**] Les « top-up » budgétaires sur InvestEU seront-ils entièrement alloués à la nouvelle fenêtre d'Investissements « STEP » ?
- [**article 16 – amendements sur le Règlement InvestEU**] Comment s'articulerait la nouvelle fenêtre STEP avec les autres fenêtres d'InvestEU ?

- **[article 16 – amendements sur le Règlement InvestEU]** La Commission pourrait-elle expliquer pourquoi la répartition de la répartition entre bénéficiaires de la garantie est d' « au moins » 75 % pour la BEI (et le reste pour les partenaires d'implémentation comme les *NBPIs* nationales) alors que le règlement initial prévoyait une répartition initiale stricte de 75 %/25 %.
- **[article 17 – amendements sur le Règlement Horizon Europe]** Les « *top-up* » alloués au fonds du Conseil européen d'innovation seront-ils fléchés en priorité vers les projets STEP ? Dans le cas contraire, comment s'assurer que ces « *top-up* » ne financent pas des projets de pays tiers participant au programme Horizon (exemple : Israël ou l'Islande) ?
- **[article 17 – amendements sur le Règlement Horizon Europe]** Concernant les 1,2 Md€ de dégagements au titre de l'article 15.3 du règlement financier, comment cette répartition s'articule-t-elle avec la déclaration du Parlement européen et du Conseil du 28 avril 2021 qui fixe un plafond de 500 M€ sur l'utilisation des dégagements au titre de l'article 15(3) ?
- **[Article 17 – amendements sur le Règlement Horizon Europe]** Les entreprises qui souhaitent bénéficier d'un investissement du compartiment « STEP » du fonds EIC seront-elles soumises à la procédure de sélection de l'EIC Accélérateur ?
- **[autres- ressources humaines]** La Commission pourrait-elle préciser si les postes (20 dont 15 dans le tableau des effectifs) figurant dans son étude d'impact sont des créations de postes ? La Commission peut-elle préciser si ces postes sont compris dans les 885 demandés dans le cadre de la révision du CFP ? La Commission peut-elle préciser quelles seraient les missions dévolues à ces postes ? La Commission peut-elle préciser les sous-jacents de budgétisation de ces postes (180 k€/poste) ?
- **[autres – aides d'Etat]** Une modification des règles encadrant les aides d'État pour les projets visés par STEP est-elle prévue ? Le cas échéant, l'assouplissement du cadre serait-il uniquement à destination de certains pays ?
- **[autres – annexes / partenaires de mise en œuvre]** La Commission pourrait-elle préciser pourquoi seuls la BEI et le FEI sont mentionnés en annexe comme partenaires de mise en œuvre et assurant une gestion partagée des fonds européens ?

GERMANY

Scope/technologies intended to be covered by the regulation

- 1) Can you please provide more detailed definitions of what is considered deep and digital, clean and bio-technologies?
- 2) The draft uses the term “emerging strategic technologies” in various places of the text; however the term is not defined or described. What does the term „emerging strategic technologies” mean?
- 3) Recital 4 describes critical technologies e. g. biotechnology (include technologies such as medical technologies vital for health security). What does the term „medical technologies vital for health security” mean? Are medical devices (defined in Regulation (EU) 2017/745) also part of medical technologies vital for health security?
- 4) What – in the understanding of COM – is deemed „vital for health security”?
- 5) Are secure data infrastructures like, but not limited to, Gaia-x and applications crucial for harmonising data across the EU considered a ‘critical technology’ in the field of ‘deep and digital technologies’, and thus within the scope of STEP?
- 6) Should COM issue guidance on this point, how will Member States be involved in the drafting process?
- 7) Where do you see links to technology funding in the area of construction, buildings and renovation? What exactly are the funds earmarked for this and what are the access requirements?
- 8) Which funding option does STEP provide for projects that are not commercially viable and hence not funded by private investors (e.g. public electricity grids)?
- 9) Can CCU/CCS reallabs be funded with STEP funds?

Sovereignty Seal

- 10) Does COM plan to award a Sovereignty Seal automatically to the project participants if the conditions mentioned in Paragraph 1 are met or do the project participants have to request to get the seal? If they have to be request – what is the procedure and to whom should such a request be addressed?
- 11) Please elaborate, what “minimum quality requirements” mean with regard to the different programmes?
- 12) COM proposal states in Art. 4(1) that a Sovereignty Seal should be awarded to any action contributing to any of the Platform objectives. One overarching goal of STEP is, according to Art. 2(1), to promote inclusive access to attractive, quality jobs. How does COM foresee the contribution of the Sovereignty Seal to the promotion of quality jobs when it is also awarded to actions that formally solely contribute to the objective of Art. 2(1)(a)? How shall the promotion of quality jobs by STEP be ensured if quality job is not defined in the Regulation?

Sovereignty Portal/STEP Platform

- 13) Which information do the national competent authorities have to collect for the Sovereignty Portal and the Platform in general?
- 14) Who is responsible for the development and operation of the Platform? How much budget is allocated for this? How will the Member States be involved in the development of the Platform (setting of functional and non-functional requirements)?

State aid

- 15) COM has announced in the draft regulation that it will consult MS on a proposal to provide higher aid rates through a bonus in assisted areas for STEP projects. How and when is the consultation process planned?
- 16) What preliminary considerations does COM have to accompany STEP in terms of state aid law?

Innovation Fund

- 17) The Innovation Fund focuses on highly innovative technologies and big flagship projects with European value added that can bring significant emission reductions. Accordingly, the project selection is based on measurable criteria (e. g . effectiveness greenhouse gas emissions avoidance, project maturity, scalability and cost efficiency) and thus highly competitive. How can these axioms be reconciled with the proposed limitation of the top-up for a specific subset of Member States?
- 18) The COM presentation WK 9616/2023 INIT (held at the meeting of the AHWP on MFF 2021-2027 revision on 10 July 2023) states that the top-up for the Innovation Fund would be financed directly from the EU Budget (Heading 3) and it would be additional and independent from the financing available for the Innovation Fund under the ETS Directive. Why is the origin of the top-up not mentioned in the proposed regulation?

EU Cohesion Funds

- 19) To what extent is it necessary to expand the JTF scope to include STEP priorities if these are eligible for JTF funding anyway? (see Art. 11 Para.1 of the proposal)
- 20) Will Just Transition plans need to be adjusted to support STEP priorities? (see Art. 11 Para. 3 proposal)
- 21) What is the reason for granting the increased pre-financing, unlike ERDF, for the entire JTF program, regardless of the contribution to the achievement of STEP targets?
- 22) COM states that technologies addressed by STEP are dominated by large-scale enterprises. In many cases these large-scale enterprises are internationally highly competitive and also have a good access to financing on international financial markets. How does COM explain the need for the proposed eligibility of large-scale enterprises as a cohesion policy measure through STEP? Where is the need for EU financial support?

Deadlines closure 2014-2020 period/CPR

- 23) Does the proposal to change the deadlines for closure of 14-20 programmes mean that the final implementation report can be submitted until 15 Feb 2026 together with the other documents or does the final implementation report have to be submitted at an earlier time?
- 24) Why does COM not consider it necessary to also change Art. 2 (29) and 141 of the CPR with regards to the final accounting year? Without an extension to the final accounting year, controls by the intermediate bodies and managing authorities would have to be finalized by 30 June 2024, which would significantly hamper the possibility to extend project implementation periods in the way the situation demands.
- 25) If the option to submit closure documents at a later time is used, does that mean that an additional assurance package needs to be submitted (i.e. in Feb 25 and Feb 26) or does it mean that there remains only one final assurance package that can be submitted until 15 Feb 26? Is the latter understanding correct as the aim is to give authorities more time and additional flexibility?

InvestEU

- 26) Can COM please provide more details on the reasoning for Article 16(3) [non pro rata sharing of losses, revenues and repayments]?
- 27) When and how would COM decide whether to increase the EIB share of 75 % for InvestEU guarantees?
- 28) Does COM have information that Member States want to increase their compartments from max. 4 % to 10 %?
- 29) Would the open architecture model be applicable to the STEP policy window? Has COM analysed whether potential implementing partners have relevant expertise to screen projects according to the STEP eligibility criteria?

- 30) During the meeting of the AHWP MFF 2021-2027 revision on 10 July 2023 COM stated no need to increase EIB's capital – as a result of the proposed increase of InvestEU and the EIB's lending volume, which could exceed the maximum limit between EIB capital and lending volume (gearing ratio) as defined in the EIB Statute. Is the COM's estimation based on an EIB's analysis and if not, can you please provide such an analysis or an estimation based on a joint COM/EIB analysis?
- 31) To boost the investment capacity dedicated specifically to promoting STEP investments, the Commission further proposes to reinforce several existing programmes. These reinforcements can lead to additional investments in critical technologies of around €110 billion. Basically, the considerations with regard to triggering private investment seem optimistic. What assumptions does KOM use as a basis here? (e.g. €3 billion for InvestEU, resulting in €75 billion of investments given the 40 % provisioning rate and an average multiplier of 10)

European Innovation Council

- 32) How does COM justify introducing a new investment component within the European Innovation Council despite the ongoing implementation problems such as the envisaged management of equity components by the EIB? Is it not expectable that this will cause more implementation problems for the EIC and put its long-term success and effectiveness at stake? Or has COM thought of ways to better address implementation problems going forward?
- 33) Does COM envisage to allocate the proposed funds to the new investment component only or will other parts of the EIC be strengthened as well?

NGEU/RFF

- 34) Use of NGEU means: Own Resources Decision limits NGEU financing to address the consequences of the COVID-19-pandemic, this earmarking must be respected. How does the proposal ensure that the limits of NGEU are respected, given the legally mandatory earmarking of NGEU means to address the consequences of the COVID-19-pandemic? (especially regarding Art. 4 para 3 and Art. 19 para 1 STEP-Proposal) Can COM please elaborate/confirm?

HUNGARY

1) STEP Art 10. (1)

We ask the Commission to clarify the scope of the projects envisaged to be financed under STEP and that under Cohesion Policy (i.e. what is the ‘demarcation line’ between the new instrument and Cohesion Policy concerning eligibility so that overlapping of EU instruments is excluded).

2) STEP Art 11 (3):

What is the rationale behind the proposal, that the increased pre-financing would be applicable to all JTF priorities’ allocation in 2024 (not just those priorities introduced for STEP)?

3) Miscellaneous:

According to Art 14. of the 2021/1060/EU Regulation (CPR), a contribution to the InvestEU consists of 2 possible tranches: 2 % at the programming (to be included in the Partnership Agreement) and, according to our understanding so far, if a Member States does not make use of this possibility, as of 1.01.2023 it can contribute to InvestEU up to 3 % of its shared management fund allocation via programme modification (see also the Commission's InvestEU website, which supports this interpretation: https://investeu.europa.eu/about-investeu/member-state-compartment_en). However, in the presentation of COREPER, the investment potential linked to InvestEU contributions from Cohesion Policy was indicated as 5 % (and the corresponding amount), although we are aware that a number of Member States have not made use of the 2 % yet (e.g. Hungary). We ask the Commission to clarify the possible extent of contribution to the InvestEU as of 1 January 2023 in case a Member State did not make use of the initial contribution possibility of 2 %.

We ask the Commission to confirm that it is possible to contribute to the InvestEU from Cohesion Policy, even when horizontal enabling conditions (including horizontal ones) are not yet considered as fulfilled.

With regard to the contribution from the RRF to the InvestEU: whenever a Member State modifies its RRP to include such a change, should the plan reflect to the newer country specific recommendations (if any were published since the adoption of the plan)? In our view if yes, it would make the possibility of the InvestEU-contribution almost impossible.

ITALY

1. In accordance with art. 4.3, a project that has received the Sovereignty Seal should be prioritised in any review of the recovery and resilience programme, whereas no such obligation exists in the context of cohesion funds. Is this interpretation correct? Furthermore, how can the provision in Article 4.3 be reconciled with the requirements laid down in Article 21.1 of the Regulation (EU) 2021/241 establishing the possibility for a Member State to revise its Plan only when M&T are no longer achievable due to objective circumstances?
2. For the implementation of the new measure proposed in art. 48 of Horizon Europe [i.e. point “d” added in the first subparagraph regarding equity-only support required for scale-up to non-bankable SMEs, including start-ups, and non-bankable small mid-caps, including entities which have already received support in line with points (a) to (c)], could the Commission clarify if only the additional financial resources stemming from the STEP regulation shall be used or the whole EIC Accelerator financial budget might be used?

As a more general concern, in order not to increase the administrative burden on Member States, Managing Authorities and the Commission itself, we would like to verify the possibility of aligning the deadlines for re-programming foreseen (a) for the mid-term review in 2025 (March 2025) and (b) for the exceptional pre-financing of STEP objectives (October 2024), to avoid subsequent reprogramming within a very short period of time, also taking into account the approval timeframe (4 months). Moreover, reprogramming due to the mid-term review is the result of a more general assessment of the progress of cohesion policy implementation, which could lead to a decision to contribute to STEP objectives. A synchronization of the two program reviews seems advisable. How does the Commission think to take this issue into account? Could the anticipation of the mid-term review be considered as a possible solution?

LITHUANIA

Recital 10 provides what kind of information should be included in Sovereignty Portal. Why is European Defence Fund excluded from the list of programmes and funds presented in this recital?

Recital 18 contains phrase „*war or aggression against Ukraine*”. It should be changed to *war of aggression against Ukraine*.

In our opinion it is premature to mention Sovereignty Fund in Recital 11, as it will be discussed in the next MFF.

Recital 20 brings new content-wise elements to EIC that were not negotiated and agreed by the ministers of research, i.e., focus not only on non-bankable SMEs, but also on small mid-caps, which under current regulation should be possible only in exceptional cases. Furthermore, more data would be appreciated on why the increase of capital investments above EUR 15 million is needed. In our opinion this increase would significantly lower the number of possible businesses profiting from EIC Accelerator and therefore will have a very limited EU added value, which is stressed in Regulation (EU) 2021/695 Art 9 (1)(a). Furthermore, how will the respect of Art 9(2) of the Regulation (EU) 2021/695 be guaranteed? (“*At least 70 % of EIC budget shall be dedicated to SMEs, including start-ups.*”)

The list of technologies provided in Article 2 should be kept open considering the fast development of new technologies, which should be allowed to receive funding from the platform.

On Article 3 – we are critical towards the proposal to allocate additional financing to several programmes and funds which do not guarantee the geographical balance of support. Can the Commission elaborate on how it has decided that 10 billion euros is the amount needed to achieve Platform’s goals? We believe that this financing could be better used to fund military mobility projects which are the urgent need in the context of russian aggression against Ukraine.

Article 8 states that „*By 31 December 2025, the Commission shall provide the European Parliament and the Council with an evaluation report on the implementation of the Platform.*” Why is the proposed deadline for evaluation report so early? Would it provide transparent information, if most of the evaluated period includes the year 2024, when reprogramming takes place and mainly the increased pre-financing is provided?

Article 9 enshrines the additional 5 billion euros for Innovation Fund, which will be funded from own resources. How would this work, considering that Innovation Fund is outside the EU budget?

Any top-ups for the Innovation fund in the final compromise would be possible only under the condition that they include national envelopes (as in RepowerEU or CEF transport).

We support the proposed levels of pre-financing and EU co-financing of Cohesion Policy funds. The provision that proposed flexibilities should encompass the more developed regions in Member States whose average GDP per capita is below the EU average should be kept.

Why does the COM propose such a high level of EU co-financing only for STEP objectives? It results in unequal treatment of Cohesion PO's.

The COM proposes that 1,2 billion euros foreseen for Horizon Europe will be provided as reused decommitments under Article 15.3 of Financial Regulation. Will part of this amount come from the 500 million euros (2018 prices) agreed in the Joint declaration by the European Parliament, the Council and the Commission on the re-use of decommitted funds in relation to the research programme? Or is the proposed 1,2 billion euros an additional amount?

We are also critical towards the proposal to redeploy 0,8 billion euros from the resources allocated to Pillar II in Horizon Europe towards EIC. Pillar II provides the most added value by supporting international projects in innovations.

We are sceptical towards the proposal to increase EIC allocation considering management problems and delays presented in the EP report on the implementation of the European Innovation Council. It seems that the EIC would provide funding, similar to the one provided by the EIB (investments for capital of enterprises) and that significantly changes the structure and nature of EIC.

Does the suggested amendment by Art 17 (3) mean that a second round of equity-only investment will be possible? How it will be ensured that this will not distort competition in the internal market?

THE NETHERLANDS

General comments

- We do not have a formal position, this is subject to scrutiny/technical discussions and parliamentary debate after the summer break.
- In general we welcome the Commission's focus on strategic technologies and European sovereignty. We support the Commission's aim to streamline existing funds. We share the view that the EU's position in strategic technologies is an important issue for future competitiveness of the Union.
- We support the Commission's aim to streamline existing funds, but have reservations regarding the proposed additional funding. Starting point is that funds should be found within the current MFF-ceilings and existing special instruments. NL is not in favor of introducing new funds.

Questions

Article 1: subject matter

Article 2: STEP objectives

- Need more information on why this scope was chosen? How do critical raw materials fit in this scope?
- CION suggests flexibility in scope/ definition gives more flexibility in implementation. But reduces legal certainty and guarantees that instrument is as targeted as possible. Looking for further delineation and definition of the categories deep and digital tech, clean tech, and biotech. Legal link with definitions of other EU instruments (Net Zero Industries Act/Critical Raw Materials Act) welcome. Why did CION choose to include biotech?
- Definition of 'critical' is very broad. Could this be further delineated? Has CION thought about adding spill-over or multi-country effect? What does significant economic potential mean in relation to start-ups and SMEs?
- How does CION determine what occupations and skills are important for STEP-purposes?

- CION states art. 2(1) “promote inclusive access to attractive, quality jobs,” and 2(1) “addressing shortages of labour and skills critical to all kinds of quality jobs in support of the objective under point (a).” Could CION provide more explanation on how they foresee doing this? To us, it’s not clear from the report, nor from the presentation. Is this just about facilitating and encouraging investment in the technologies mentioned, or does CION intend to do more?
- Art. 2(2) The technologies referred to in point (a) of the first paragraph, shall be deemed to be critical where they meet at least one of the following conditions: (a) bring an innovative, cutting-edge element with significant economic potential to the Single Market; (b) contribute to reduce or prevent strategic dependencies of the Union. How/who determines what constitutes a strategic dependency? Is this determined by the NZIA and CRMA? That is implied in Art. 6(1)c. and in the report as well. But the NZIA and CRMA are not/less about the deep and digital technologies mentioned in Art. 2(1)a. So how does that work?

Article 3: financial support

- Reasoning for numbers would be welcome, please provide written answers with a thorough explanation of the amounts. Could you elaborate on amounts presented in the proposal?
- Would it be possible to elaborate further on decreasing the time to market of Invest-EU?
- Commission needs to publish effect of the proposed increases on payment levels per year, this is necessary for MS in order to be able to calculate the budgetary implication of the proposal. We ask for a written reply to this question.
- What is CION’s view on proposed top-up InvestEU in light of additional EIB funds (15 billion additional funding for the duration of the MFF) for RepowerEU + and specifically NZIA targets?

Article 4: sovereignty seal and cumulative funding

- How are these “minimum requirements” established and quantified to create a clear distinction between eligible and uneligible projects?
- Do strategic projects in the Net Zero Industry Act, and the Critical Raw Materials also receive a Sovereignty Seal?

- Based on answers to previous questions: in our view sovereignty seal now seems to entail double burden. First requirements to obtain a seal and afterwards second batch of requirements to receive funding in certain program. How could this be prevented/ how could fast track be shaped?
- Does sovereignty seal contain different labels to distinguish between type of technologies?
- Could CION elaborate on how the sovereignty seal relates to EU state aid rules?
- CION states that it will “also consult Member States on a proposal to enable higher rates of aid via a bonus for projects within the scope of STEP in assisted regions to spur further economic development, while preserving cohesion objectives”. How does this relate to EU state aid rules? What does CION mean by “assisted regions”?

Article 5: Monitoring of implementation

Article 6: Sovereignty portal

Article 7: Annual report

Article 8: Evaluation

- The CION envisages an evaluation in 2025 as a basis for possible upscaling and the establishment of a European Sovereignty Fund. We have questions concerning the robustness of an evidence base of only one year of operation, what is CIONs expectation? How will the evaluation report tie in with the CION proposals for the new MFF?

Article 9: Amendments to Directive 2003/87/EC [ETS]

- Additional financial envelope for the Innovation Fund is only available to entities from Member States whose average GDP per capita is below the EU average of the EU-27, based on historical figures (2015-2017). Why? For which member states does this apply and on the basis of what type thresholds?
- Important that current IF-goals are not undermined or watered down with extra STEP-pillar.

Questions on article 10-15

Article 10: Amendments to Regulation (EU) 2021/1058 [ERDF and CF]; Article 11: Amendments to Regulation (EU) 2021/1056 [JTF]; Article 12: Amendments to Regulation (EU) 2021/1057 [ESF+];

Article 13: Amendments to Regulation (EU) 2021/1060 [CPR]; Article 14: Amendments to Regulation (EU) No 1303/2013 [CPR]; Article 15: Amendment to Regulation (EU) No 223/2014 [FEAD]

- What is the expected effect of the proposals for 30 % pre-financing and 100 % co-financing for STEP on payments levels (for the years 2024-2027)? This is relevant for the 2024 payment levels and national budgetary planning.
- What is the estimated impact on the EU level playing field of the proposal to enable higher rates of state aid via a bonus for projects within the scope of STEP in assisted regions to spur further economic development?
- Question on desirability of opening up cohesion funds to large companies and increasing cofinancing to 100 %; risk of relocation? Risk of decreasing total investment amount because of less cofinancing?

Article 16: Amendments to Regulation (EU) 2021/523 [InvestEU]

- Why was chosen not to include innovative mid-caps as defined in the state aid guidelines for risk financing?
- Could you elaborate on the interaction between extra contribution to member state compartments, the financing products of InvestEU, and the lack of assessment of consequences for the level playing field?

Article 17: Amendments to Regulation (EU) 2021/695 [Horizon Europe]

- Top-up of Horizon/EIC is partly (1.2 bn) financed by re-using decommitments under art. 15(3) FinReg. Could the CION provide an overview of the use of this option under current MFF/ remaining availability?

- Top-up of Horizon/EIC is partly (0.13 bn) financed by reflows of the EIC pilot under Horizon 2020. What would normally happen with these reflows?
- Amendments to the Horizon Europe regulation:
- CION proposes amendments to the Horizon Europe regulation, resulting in the EIC budget increasing by € 1,3 billion, of which € 800 million is arranged by shifting budget between pillar two to pillar three. How does this impact the balance between TRLs, and between research and innovation, compared to the original Horizon Europe agreement?

Article 18: Amendments to Regulation (EU) 2021/697 [EDF]

- Could the Commission specify how the proposed top up of 1.5bln will be allocated?

Article 19: Amendments to Regulation (EU) 2021/241 [RRF]

Article 20: Entry into force and application

- CION states: “The Horizon Europe Regulation should also be amended to reflect the increased envelope for the European Defence Fund.” Why do we have to amend the Horizon Europe regulation for EDF, which has its own regulation (Regulation (EU) 2021/697)? The Horizon Europe Regulation ((EU) 2021/695) does not mention the EDF budget.

POLAND

• Article 2 STEP objectives

Article 2. defines the scope of support of the STEP in a rather general way. We are in favour of defining the scope of support in general manner, in order not to exclude projects that could contribute to STEP objectives. The scope of support includes value chains, which, according to the information provided by the EC, includes: production of final products, prefabrication, provision of machinery and raw materials necessary for production. We ask the EC to provide examples of projects that could fit into the scope of support when it comes to financing value chains.

Question to the EC:

What examples of projects in the area of value chains fit into the scope of support?

We also would like to know on the basis of which criteria and by whom it will be assessed whether a given project achieves the objectives of STEP?

• Article 4 Sovereignty Seal and cumulative funding w zw. z Article 16 Amendments to Regulation (EU) 2021/523 [InvestEU] (7)

The implementation of the Seal of Sovereignty as a form of confirmation that the project meets the STEP objectives requires additional clarification, as the InvestEU Fund currently has a system of project evaluation conducted by both the implementing partners and the EC (policy check), and finally the project is approved by the InvestEU Investment Committee. According to the EC's proposal, implementing partners would be expected to award a seal of sovereignty to projects carried out under InvestEU Segment 5, which imposes an additional assessment on them, which may extend the process of funding in this segment.

PL also proposes that Article 4(3) and (1): the expressions 'shall' be replaced by 'may'.

Questions to the EC:

1. at which stage and by whom will the assessment under the seal of sovereignty be carried out?
2. under what conditions will current implementing partners be able to add STEP to their bids?

- **Article 6 Sovereignty portal w zw. z Article 16 Amendments to Regulation (EU) 2021/523 [InvestEU] (10)**

It needs to be clarified how the sovereignty portal will be compliant with the current InvestEU Portal, which allows project promoters to search for investors within InvestEU and allows potential investors to review planned investment projects from all over Europe.

Question to the EC:

How will the Sovereignty Portal work with the InvestEU Portal and will it not duplicate the role of the InvestEU Portal in Segment 5?

- **Article 11 Amendments to Regulation (EU) 2021/1056 [JTF]**

In our view, the introduced flexibilities should be extended. In particular, they should apply to the entire Just Transition Fund. Poland proposed solutions to the EC which, in our opinion, could bring positive effects for the achievement of JTF objectives, i.e.: increase of the JTF co-financing level for the regions covered by this fund, increase of the co-financing level by raising to 100 % for the JTF axis (and not only for the axis implementing STEP objectives) at the stage of declaring funds to the EC for the needs of certification, extension of the eligibility of JTF expenditures or extension of the eligibility period.

- **Article 13 Amendments to Regulation (EU) 2021/1060 [CPR], point 1**

In PL's view, the extension of the definition of Seal of Excellence (contained in Article 2(45) of CPR) to include a reference to the Seal of Sovereignty referred to in Article 4 of the STEP Regulation requires clarification, as it is not clear how this definition would be understood and applied in practice.

It should be noted that the purpose of awarding the Seal of Excellence and the Seal of Sovereignty is different. The idea of the Seal of Excellence is clearly defined in the regulation and its purpose is to recognise projects that met the minimum conditions but, due to lack of funds, could not receive funding from the EU Programme.

However, in the case of the Seal of Sovereignty, the label can be awarded, to projects that meet the STEP objectives, regardless of whether or not the project has received funding from one of the specified EU Programmes. It is only in Article 4(2) that it is specified in which cases the Seal can be used as a quality label. The catalogue, apart from the possibility to use the Seal as a quality label in order to receive support for an action under another EU fund or programme (letter a), also includes the funding of an action through cumulative or combined funding with another EU instrument in accordance with the provisions applicable in the base regulation (letter b).

With the above in mind, there are questions about the extension of this definition. What if a project will be awarded with a Seal of Sovereignty and at the same time already receives support from one of the specific EU programmes? Then it seems that it will not meet the conditions for the award of the Seal of Excellence. Furthermore, it should be noted that Article 4(2) also indicates that the Seal of Sovereignty can be used as a quality label under cumulative funding. This goes beyond the existing definition of Seal of Excellence.

The issue of extending the definition of Seal of Excellence needs to be clarified in detail, as at the moment it is difficult to see the added value of this change and it seems to only unnecessarily complicate the rules.

- **Article 16 Amendments to Regulation (EU) 2021/523 [InvestEU]**

- With regard to article 14 (4)

Questions to the EC:

1. what will be the impact on the existing policy segments (segment 1 and segment 2) if the technology areas included in these segments are partly duplicated with those proposed in segment 5?
2. in the event of duplication of areas in several policy segments, will (and if so, under what conditions) the implementing partners be able/ required to choose the policy segment?
 - Additional proposal

We propose to amend Article 13(7) of the InvestEU Regulation, which refers to the deadline for the signature of the agreement between the implementing partner and the final recipient or financial agent, under the EU guarantee from one year to two years after the approval of the financing or investment operation by the implementing partner. Below we propose a provision (in two versions):

(...)Contracts between the implementing partner and the final recipient or the financial intermediary or other entity referred to in point (a) of Article 16(1) under the EU guarantee referred to in the first subparagraph of Article 4(2) shall be signed at the latest ~~two one~~ years after the approval of the relevant financing or investment operation by the implementing partner. In other cases, contracts between the implementing partner and the final recipient or the financial intermediary or other entity referred to in point (a) of Article 16(1) shall be signed by 31 December 2028.

or

~~Contracts between the implementing partner and the final recipient or the financial intermediary or other entity referred to in point (a) of Article 16(1) under the EU guarantee referred to in the first subparagraph of Article 4(2) shall be signed at the latest one year after the approval of the relevant financing or investment operation by the implementing partner. In other cases, contracts between the implementing partner and the final recipient or the financial intermediary or other entity referred to in point (a) of Article 16(1) shall be signed by 31 December 2028.~~

STEP platform will implement segment 5 within the InvestEU Fund. The agreements referred to in Article 13(7) of the InvestEU Regulation may also include support for new Segment 5 projects.

PORTUGAL

- How will the STEP initiative be coordinated with the existing SET PLAN, and the 'revamping' of the SET Plan? It seems to us that this coordination should be ensured, as well as with the National Energy and Climate Plans (NECPs).
- We would like to confirm if the scope regarding technologies for the sustainable extraction and processing of critical raw materials also includes end of life technologies for products with high content of critical raw materials.
- How will the sovereignty portal interact with the Horizon Europe Funding and Tenders Portal, in order to avoid duplications?
- We would like to have additional clarification regarding how the projects will be awarded a Seal and how this will be implemented? All typologies of projects under Horizon Europe, for instance? Mono-beneficiaries and multi-beneficiaries projects?

ROMANIA

Art. 2 Objectives

The questions below are meant to better understand the scope:

When COM says funding manufacturing or safeguarding the value chain, what kind of entities are we funding? Are we providing support only to large companies? Are energy intensive industries eligible to receive funding? If so, how can energy intensive industries benefit from STEP? Please provide concrete examples.

How realistic is the development of a business case and full completion of project in the area of energy intensive industry in 4 years, knowing that these new technologies didn't reach the level of maturity to create demand on the market?

How does the STEP platform liaise with other decarbonization purpose-oriented research and innovation funding?

Looking beyond the crucial segments of global value chain (micro-processors, hydrogen, batteries, Internet of Things) which are highly concentrated in few regions/member states, what kind of economic activities can be funded in member states and regions qualified as emerging innovators according to the European Innovation Scoreboard 2023?

We would like a confirmation that technologies supporting construction of roads with negative carbon footprint and development of new green road stabilization solutions are considered as clean technologies.

Art. 6 Sovereignty Portal (SP)

Taking into consideration the existence of InvestEU portal, we still consider that there is not a clear difference between the two and SP is not justified. There's no value added for a new tool. It would be useful to clarify the need for this SP and whether it could not be encompassed through an expansion/ extension of the InvestEU portal to include STEP too. Both, the COM and the CONS advocate for simplification and yet new labels and new initiatives make the business environment and the authorities struggle with more complexity and difficulty to follow the different tools for access to finance.

Art. 9 Amendments to Directive 2003/87/EC [ETS]

Regarding the proposed amendments to Directive 2003/87/EC, the legal construction needs to be further explained and clarified in the text. It was mentioned the top-up of 5 bn. Euro to Innovation Fund is to be financed from MFF own resources and not from EU-ETS. However, the text includes the top-up in article 10a of Directive 2003/87/EC, without any reference to its source. Looking at it from the logic of ETS Directive it leads to confusion and uncertainty [especially since this Fund is not part of MFF]. In this respect, we would welcome additional clarification both from the Commission services and the Council Legal Service.

Art. 11 Just Transition Fund.

Please clarify why the scope of support in art. 2 refer only to clean technologies (art 2.1 (ii)) while the following subparagraph refer to all technologies covered by STEP.

Art 11(1) complements the objective of JTF as set out in Art. 2 of Regulation (EU) 2021/1056, by adding a reference only to clean technologies „The JTF may also support investments contributing to the STEP objective referred to in Article 2 (1), point (a)(ii) of Regulation .../... [STEP Regulation]”, while

Art. 11(2) , when referring to productive investments in enterprises other than SMEs, the scope of support covers all „STEP objectives referred to in Article 2 of Regulation .../... 65 [STEP Regulation]”, not only clean technologies.

From our understanding all type of STEP technologies are already eligible under JTF. We would appreciate explanation on the limitation of JTF objective to clean technologies, as indicated in art. 11(2) of STEP Regulation.

Art. 14 CPR 1303/2013

We consider that further flexibilities could have been envisaged in order to support Member States in implementing the existing funds and reducing pressure on the overburden national budgets. In this regard, a solution could consist in the application of a co-financing rate of 100 % to expenditure declared in payment applications for the last accounting year for one or more priority axes in a programme supported by the ERDF, the ESF or the Cohesion Fund, by derogation from Article 60(1) and the first and fourth subparagraphs of Article 120(3).

We would appreciate some explanations why such kind of measures was not considered.

Art. 16 InvestEU

Having in view that the document envisages the increase of the time period available to conclude a guarantee agreement from nine to twelve months from the conclusion of the contribution agreement, we would like to better understand COM justification for this proposal. In our view, the increase of this period is not convenient, especially considering the urgency in implementing NGEU that is financing InvestEU.

Regarding the new financial envelope dedicated to STEP within the InvestEU program, we would like to know how the allocation of funds will actually work, complementary to the other financial envelopes. How long it will take, from the COM estimate, to adjust the related Investment Guidelines and guarantee agreements (GA) with the implementation partners? Wouldn't it be faster in terms of implementation to think about an extension of the eligibility criteria and top-up existing windows?

We already experienced delays in the completion of the GA between COM and EIB group regarding the InvestEU program. This will generate a domino effect in implementation.

Other elements

We would appreciate clarifications regarding the intention of the Commission in order to adapt the DNSH technical guidelines provided for in the RRF Regulation 2021/241, and in particular the indicative calendar.

Romania can support comments made by other MSs, being against replacing the term "clean technologies" with "green technologies", having in mind the possible implications.

SLOVAKIA

The question relates to the new categories of interventions:

We do not understand why the support for the development of skills and productive investments in the field of biotechnologies (codes 145a, 190, 191) have coefficients for the support of objectives in the field of climate change and environment at the level of 0 %. In our opinion, this is against the logic of support within the cohesion policy, as these measures, by their nature, generally contribute to the support of the stated objectives. They should therefore be assigned a certain coefficient of contribution to these objectives (e.g. 40 %), in contrast to measures in the field of high-tech and digital technologies (codes 192 and 193).
